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**United States Wins WTO Case Challenging
Australia's Failure To Withdraw A Prohibited Export Subsidy**

United States Trade Representative Charlene Barshefsky announced today that a World Trade Organization dispute settlement panel has issued a report finding that Australia has failed to comply with the WTO Dispute Settlement Body's ruling that Australia withdraw a prohibited export subsidy bestowed on an Australian producer of automotive leather.

"This ruling reinforces important WTO rules against export subsidies," stated Ambassador Barshefsky. "The WTO panel's finding establishes that, pursuant to the WTO subsidies agreement, the withdrawal of a prohibited subsidy must be a meaningful withdrawal; a country cannot merely go through the motions. We urge the Australian Government to come into compliance immediately."

The panel affirmed the U.S. position that the recipient's repayment of a small prospective portion of the grant was insufficient to satisfy the WTO requirement that the subsidy be withdrawn. At issue was a grant of 30 million Australian dollars that violates WTO subsidy rules because it was contingent on export performance. The panel found that "repayment in full of the prohibited subsidy is necessary in order to 'withdraw the subsidy' in this case." The panel further agreed with the United States that, by providing a new loan subsidy to the recipient's parent company, Australia had nullified the recipient's partial repayment of the grant. The panel therefore found that Australia had not withdrawn any portion of the prohibited export subsidy.

Background

This proceeding followed a WTO case brought by the United States in 1998, when Australia – after consultations with the United States – excluded its leather industry from two export subsidy programs, but then compensated its leather exporter by means of the A\$30 million grant. The United States alleged, and the dispute settlement panel agreed, that this grant was a "de facto"

export subsidy, and had to be withdrawn. Australia announced in September 1999 that it had complied with the WTO ruling by having the recipient repay less than 27% of the grant, which it called the prospective portion. However, Australia simultaneously announced the new loan subsidy to the exporter's parent. The United States requested that the WTO panel be reconvened to review Australia's compliance, asserting both (1) that the repayment was insufficient and (2) that the loan subsidy had nullified even that insufficient repayment.